

Audit of USAID/Zimbabwe's Cashiering Operations

**Report No. 4-613-98-008-F
June 10, 1998**

REGIONAL INSPECTOR GENERAL/PRETORIA'



memorandum

*Regional Inspector General
Pretoria*

DATE: June 10, 1998

TO: USAID/Zimbabwe Director, Rose Marie Depp

FROM: Acting Regional Inspector General/Pretoria, Peter Greene

SUBJECT: Audit of USAID/Zimbabwe's Cashiering Operations, Report No. 4-613-98-008-F

This memorandum is our report on the subject audit. We have considered your comments on the draft report and made changes as appropriate. Your comments are included in their entirety in Appendix II.

Based on the results of the audit, this report does not have any recommendation. I appreciate the cooperation and courtesy extended to my staff during the audit.

Background

USAID/Zimbabwe, a Mission of approximately 58 U.S. and local national employees, conducts its cashiering operations from a secured area within the Controller's office. Cash operations are handled by a cashier and, in her absence, an alternate cashier.

The Controller is responsible overall for the cashiering operations and is guided by the U.S. Treasury policy as well as Mission requirements. Mission management designated the supervisory voucher examiner to directly supervise the cashier and issue instructions for day-to-day operations. However, the Controller approves extraordinary transactions arising from unusual situations, such as payments of: FSN salaries when checks are not received from Regional Administrative Management Center (RAMC)/Paris, advances for out-of-country travel, and emergency situations. At the time of our audit, the Mission's authorized imprest level was \$15,000.

The cashier's duties principally comprise of: (1) maintaining an imprest fund in local currency (Zimbabwe dollars) and U.S. dollars in amounts prescribed by USAID/Washington; (2) disbursing funds for local procurement, in-country travel advances, local currency expense claims and emergency situations; (3) accepting payments on behalf of the U. S. Government (such as for bills for collection); and (4) depositing the funds collected.

Audit Objective

The Office of Regional Inspector General/Pretoria audited USAID/Zimbabwe's cashiering operations to answer the following question:

Did USAID/Zimbabwe manage its cashiering operations efficiently, economically and in accordance with Agency policies and procedures?

Appendix I describes the audit's scope and methodology.

Audit Findings

Except for two areas that needed improvement, USAID/Zimbabwe managed its cashiering operation with economy, efficiency, and in accordance with Agency policies and procedures.

To facilitate efficient performance, Mission management provided comprehensive guidance to its cashiers by issuing a Mission Order on cashiering and imprest fund operations. These documents incorporated the policies and procedures established by the USAID Financial Management Bulletin No. 10 and the Code of Federal Regulations.

In accordance with the above guidance, the Mission designated a cashier and an alternate cashier. The cashier received training at the Regional Financial Management Center in Paris, and in turn trained the alternate cashier. The cashier's office is situated in a secured area in the Controller's section and access is restricted to authorized personnel. All cash, checks and other valuables are kept in a safe the combination of which is in the custody of the Mission Director and is changed whenever a new cashier is designated.

The Mission operates a local bank account. An employee of this bank conducts bi-weekly accommodation exchange transactions for mission employees from an area within the Controller's office. The bank is responsible for the security arrangements which relieves the Mission of the responsibility to transport money and other valuables between the bank and the cashier's office.

In addition, we found that (1) unannounced monthly cash verifications were not always performed as required, and (2) the authorized imprest fund level of \$15,000 needed to be reviewed because it consistently exceeded the Mission's normal operating needs. These findings

are discussed below.

Cash Verifications Should Be Performed Monthly

USAID/Zimbabwe Mission Order 94-005 issued on April 11, 1994, states that unannounced cash verifications will be performed at least once each month. The purpose of such cash verification is to ascertain that: (1) cash in hand is reconciled to the authorized imprest fund amount; (2) funds are used solely for official business; and (3) imprest funds are not commingled with other funds held by the cashier.

Unannounced cash verifications are usually performed at USAID/Zimbabwe by the cashier's supervisor or her designee using a computer program provided by RAMC. The Mission uses documents generated by the program for recording payments and collections of government funds. Upon completion of the verifications, the documents are signed by the cognizant official and sent to RAMC.

However, we found that over a 13-month period (March 1997 through March 1998), USAID/Zimbabwe provided documentation to RAMC for only nine of the 13 required cash verifications. For the remaining four, cash verifications were not performed at all or were not properly documented.

This occurred because the Mission employees who were responsible for this function had not coordinated their activities. In addition, one month's cash verification was not properly documented because of a system failure.

USAID/Zimbabwe recently designated a new cashier. Although transfer of responsibility was to take place on April 1, 1998, the required approval was not received from USAID/W by that date. At the time of our audit, this employee was being trained but had not yet commenced her duties.

Cash verifications are an important control mechanism to ensure safekeeping of government funds and reduce the potential for misuse. Therefore, USAID/Zimbabwe should exercise adequate care that funds are handled properly and monthly cash verifications are performed as required.

In responding to the draft audit report the Mission agreed to ensure that unannounced monthly cash verifications of the imprest fund are performed. Also, since this requirement has already been formalized in Mission Order 94-005 we are not making a recommendation in the final report.

**Imprest Fund Level Should Be
Commensurate With The
Mission's Operating Needs**

USAID Financial Management Bulletin No. 10 (Mission Cashier Operations) requires that Mission Controllers review funds held by their cashiers at least once a year to determine if the **imprest** level is commensurate with actual needs.

We found that USAID/Zimbabwe's authorized **imprest** fund level of \$15,000 consistently exceeded the total value of transactions by an average of 22 percent over a 13 month test period from March 1997 through March 1998.

During this period the value of Mission's cash transactions ranged from a minimum of \$8,800 to the maximum authorized amount of \$15,000. Moreover, in nine of the 13 months tested, the **imprest** level exceeded the total value of the transactions by an average of 22 percent.

The Mission Controller informed us that he had not performed a review of the adequacy of the **imprest** fund since 1996 because he believed that the authorized **imprest** amount of \$15,000 was necessary to cover cash requirements and, therefore, should be maintained at that level. He also stated that because the **imprest** funds are reimbursed as needed (usually more than once a month), the excess funds we found in our review only reflects the situation on the date of the verification. According to the Controller, in order to determine whether the **imprest** amount is really excessive, a more extensive analysis should be done on the daily cash transactions throughout the year.

However, based on our review, we believe that excess **imprest** funds, over a period of time, could increase the potential for misuse and also result in a loss of interest income to the U.S. Treasury. Therefore, USAID/Zimbabwe needs to review funds held by the cashier at least annually and thereafter determine if the **imprest** amount is commensurate with actual needs.

The Mission concurred with our recommendation to review the **imprest** fund level annually and thereafter determine if the amount is commensurate with actual needs. In its response the Mission stated that it plans to reduce its **imprest** fund level after the upcoming transfer of trust funds from RAMC Paris. The Mission will then be able to issue local currency checks, thereby reducing the need for **imprest** funds.

Since the Mission has concurred and the requirement is already formalized in USAID's Financial Management Bulletin we are not making a recommendation in the final audit report.

Management Comments and Our Evaluation

In response to the draft report, USAID/Zimbabwe agreed to be more diligent in performing monthly cash verifications and an annual analysis of the Mission's imprest fund level. In addition, the requirement to perform monthly cash verifications has already been formalized by the Mission in its Mission Order and the annual analysis of the imprest fund is formalized in USAID Financial Management Bulletin. Therefore, we are not making recommendations in the final audit report. The Mission's response has been included in its entirety in Appendix II.

<p>SCOPE AND METHODOLOGY</p>

We conducted an audit of USAID/Zimbabwe's cashiering operations in accordance with generally accepted government auditing standards. The field work was conducted at Harare, Zimbabwe from April 2 through 7, 1998.

To accomplish our audit objective, we (1) reviewed the physical security of the cashier's office, (2) evaluated controls relating to safeguarding cash and other valuables in the cashier's vault, (3) performed a surprise cash count, (4) audited the cashier's reconciliations of the imprest fund, and (5) reviewed daily cash transactions for one week during the fiscal year 1998. The total value of the transactions reviewed was \$21,365 in local currency and U.S. dollars.

APPENDIX II



U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

MEMORANDUM

Date: June 3, 1998

From: Rose Marie Depp, USAID/Zimbabwe Director *RD*

To: Joseph Farinella, RIG/Pretoria

Subject: Audit of USAID/Zimbabwe's Cashiering Operations, Report
No. 4-613-98-XxX-F

The Mission's response to subject audit report is as follows:

RECOMMENDATION NO. 1: RECOMMEND THAT THE DIRECTOR, USAID/ZIMBABWE ENSURE THAT UNANNOUNCED MONTHLY CASH VERIFICATIONS OF THE IMPREST FUND ARE PERFORMED, AS REQUIRED BY USAID/ZIMBABWE'S MISSION ORDER NO. 94-005

Mission concurs with recommendation number 1.

The Controller designated that the Supervisory Voucher Examiner perform monthly unannounced cash counts. Cash verifications have been performed continuously from December 1997 to date. In the event that the Supervisory Voucher Examiner is away, unannounced cash verifications will be performed by Project Voucher Examiner, Ms. Teresa Mubaiwa, who is a former Cashier.

The Controller will ensure that monthly unannounced cash verifications of the imprest fund are carried out.

APPENDIX II

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RECOMMENDATION NO. 2: RECOMMEND THAT THE DIRECTOR, USAID/ZIMBABWE REVIEW THE MISSION'S IMPREST FUND LEVEL ANNUALLY AND THEREAFTER DETERMINE IF THE AMOUNT IS COMMENSURATE WITH ACTUAL NEEDS, AS REQUIRED BY USAID'S FINANCIAL MANAGEMENT BULLETIN NO. 10

Mission concurs with recommendation number 2. we agree that a review of the Imprest Fund level will be done annually.

USAID/Zimbabwe plans to reduce its petty cash level after the upcoming transfer of trust funds from RANC Paris. At that time, the Mission will be able to quickly issue local currency checks, thereby reducing the need for petty cash.

The Controller's Office will analyze the Imprest fund level before the former Cashier departs on maternity leave at the end of June.